



National Flood Insurance Program: *Frequently Asked Questions*

Flood Insurance Information for Gulf-Coast Policyholders

Background

Q: What is the National Flood Insurance Program?

A: Historically, flooding has brought damage and destruction to communities across the United States. In order to help alleviate the financial devastation caused by flooding, Congress created the National Flood Insurance Program (NFIP) in 1968. The NFIP, managed by Federal Emergency Management Agency (FEMA), enables homeowners, business owners, and renters in participating communities to purchase federally backed flood insurance. This insurance is designed to provide an insurance alternative to disaster assistance to meet the escalating costs of repairing damage to buildings and their contents caused by floods.

Participation in the NFIP is based on an agreement between the community and the Federal government. If a community adopts and enforces floodplain management regulations that meet or exceed the minimum requirements of the NFIP, the Federal government will make flood insurance available to property owners. These requirements are intended to prevent loss of life and property and reduce taxpayer costs for disaster relief, as well as minimize economic and social hardships that result from flooding. Participation in the NFIP is voluntary. Over 20,000 communities participate in the NFIP.

Q: Who sells flood insurance?

A: Flood insurance is sold and serviced by about 100 private insurance companies in more than 20,000 communities nationwide. The Federal government underwrites the coverage. Claims payments are funded by flood insurance premiums. To purchase a policy, call your insurance agent, or to find an agent in your area, visit www.FloodSmart.gov.

Q: How many people have flood insurance?

A: Currently, more than 4.6 million flood insurance policies are in force in more than 20,000 participating communities nationwide, representing nearly \$773 billion worth of coverage.

Q: What is a flood?

A: Flood is defined in flood insurance policies as “a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from overflow of inland or tidal waters, from unusual and rapid accumulation or runoff of surface waters from any source, or from mudflow.”

Current Situation

Q: How does flood insurance help recent flood victims?

A: Flood insurance covers damage caused by floodwaters in more than 20,000 communities across the country, including the Gulf coast. Residents with flood insurance policies can file a flood claim with their insurance company, and receive up to \$250,000, depending on the extent of the damage and the amount of coverage they purchased.

Q: How many flood policies are there in areas affected by Katrina and Rita? How many claims are there?

A: There are currently 217,000 flood insurance policies in force in New Orleans' four parishes alone. As much as 80 percent of these parishes flooded. In addition, more than 50,000 policies are in force in areas affected by Katrina in Mississippi and Alabama. There are also more than 9,000 Group Flood Policies active in Louisiana, Mississippi, Alabama, and Florida. Claims-to-date have exceeded 175,000 and more are expected.

Q: How does this year's hurricane season compare with 2004, and past events?

A: Last year was a record year. The NFIP processed more claims than any year in the history of the program. During 2004, the NFIP processed 75,022 claims and paid more than \$2 billion (\$2,060,916,027) to flood insurance policyholders. The NFIP processed more than 56,000 claims and paid more than \$1.8 billion for the four largest events (Charley, Ivan, Frances, and Jeanne) in 2004. The 2005 season will surely overtake that record.

The highest-cost single event in the program's 37-year history was Tropical Storm Alison, which struck Harris County, Texas in 2001. More than \$1.1 billion in claims were paid to policyholders.

Q: What is the NFIP doing for policyholders in the wake of recent hurricanes?

A: The first priority for the NFIP is to meet the needs of policyholders as quickly as possible. Following the hurricane, the NFIP has streamlined the claims process to make it easier on policyholders.

The NFIP is using a combination of data on water depths, aerial imagery, and information from underwriting files to determine properties where flood damage covered by the policy will exceed the amount of insurance purchased. It may be possible to pay the policy limits for these properties through dialogue with the insured and without waiting for a site visit to adjust the loss. This process may be used when homes were washed off their foundations, when they remained in standing water for long periods, or when only pilings or a slab remain.

The NFIP has waived the usual requirement that the policyholder must submit a proof-of-loss and instead, where the policyholder agrees, will rely on a report by the claims adjuster. The NFIP has urged insurance companies to provide advance checks of around \$3,000 to policyholders who carry contents coverage. Adjusters have been instructed to assist policyholders in developing a list of their contents and appliances damaged by floodwaters, rather than require individual itemizations and receipts.

Q: Does flood insurance cover flooding from storm surge?

A: Yes. Storm surge, (the overflow of inland or tidal waters) is covered by flood insurance.

For Policyholders:

Q: How do NFIP policyholders file a claim?

A: Flood insurance policyholders are encouraged to call their insurance agent or company as soon as possible to file their flood insurance claims. If possible, have the name of your insurance company, contact information where you can be reached, and your policy number when you call. If you can't access your flood insurance information, call the NFIP number at 1-800-427-4661 and an insurance representative will help connect you with your company for assistance.

An adjuster will be assigned to work with you to calculate the value of the damage and prepare a repair estimate. If you are at home, begin to separate damaged items from undamaged items and take photos of the damage to your home and personal property to help you and your adjuster prepare your damage estimate.

Q: What can policyholders do to appeal their flood insurance claim?

A: If you have questions or concerns, or need further explanations of decisions that have been made, especially with regard to coverage or the dollar amount of damages, talk with your adjuster first. The adjuster can help explain certain decisions regarding, for example, what is or isn't covered, or your damage estimate. If you are not satisfied with the adjuster's answers, or do not agree with the decisions made, contact your adjuster's supervisor or insurance company's claim representative for assistance.

If you still have questions or concerns, you can contact the Federal Emergency Management Agency (FEMA) to appeal your claim. Write to: Federal Emergency Management Agency-Mitigation Division-Room 433/ Risk Insurance Branch/ ATTN: Director of Claims/ 500 C Street, S.W. / Washington, D.C. 20472.

Q: What do policyholders do if they have questions?

A: The NFIP is working in close and unprecedented partnership with the insurance industry to handle claims and resolve issues.

The NFIP has enhanced our capacity at the NFIP call center to assist policyholders. For those who have questions about their policy, claim or how to contact their agent or company, they can call 1-800-427-4661. Callers can talk with an insurance specialist and can be transferred to their insurance company to talk directly with a claims specialist.

The NFIP has also set up multiple referral operations for policyholders. For the first time there is an integrated industry-wide insurance referral network set up with the Insurance Information Institute (III). Victims can call 1-800- 942-4242 (III claims hotline) for one-stop connection to their flood or homeowners insurance carrier.

Insurance experts are also on hand in most FEMA Disaster Recovery Centers to assist flood victims, in person, with the claims process. Flood insurance claims adjusters have been on the ground in Alabama, Florida, and Mississippi assisting victims; and are now moving into many affected areas of Louisiana and Texas.



Q: What additional insurance options do I have if my home is substantially damaged?

A: In some areas, flood insurance policyholders may be eligible for up to \$30,000 to help pay the costs to bring their home or business into compliance with their community's floodplain ordinance (Increased cost of compliance or ICC coverage). Policyholder can call their insurance company to explore their ICC coverage options.

Policyholders may be eligible if: 1) their community determines that their home or business is damaged by flood to the point that repairs will cost 50 percent or more of the building's market value (called substantial damage); or 2) if their community has a repetitive loss provision and it determines that their home or business has been damaged by flood two times in the past 10 years, with the damage averaging at least 25 percent of the value of the building (called repetitive damage) and the previous qualifying claim has a flood insurance claim payment.

Flood Insurance Requirements and Options

Q: Who is required to have flood insurance?

A: Residents who live in a high-risk area (or Special Flood Hazard Area) are required to purchase flood insurance if they have a mortgage from a federally backed lender, and must carry the insurance for the life of the mortgage. Residents with a mortgage outside the high-risk areas can also purchase flood insurance, and may be eligible for lower cost insurance policy (called a Preferred Risk Policy). The NFIP encourages all residents to learn their flood risk and consider protecting themselves with flood insurance.

Q: What should people know when considering flood insurance?

A: The most important fact that consumers need to know is that their homeowner's policy does not cover flooding.

A flood insurance policy compensates homeowners, renters and business owners for all covered losses, there is no payback requirement, and the average flood insurance premium is around \$450 a year.

Many people don't understand the basics about flood insurance. They need to know that they can get flood insurance in most communities nationwide – whether they live in a high-risk area, or not. They can get flood insurance if their house has been flooded before, and they can purchase it even if their mortgage doesn't require it. Flood insurance can be purchased from a local insurance agent and is backed by the Federal government.



Q: Flood Insurance: What is and isn't covered?

A: You can purchase flood insurance for both a building and its contents. There are limits to NFIP insurance. Homeowners can insure their home up to \$250,000 and its contents up to \$100,000. Renters can cover their belongings up to \$100,000. Non-residential property owners can insure a building and its contents up to \$500,000 each.

Building coverage includes things such as water heaters, central air systems, fuel tanks, and furnaces. Insurance doesn't cover property (land) or contents outside of the building. Other items not covered are trees, septic systems, swimming pools, and seawalls. There are also some exceptions for coverage in areas below the lowest elevated floor of a home. For example, if you enclose an open area under the first floor and use it for storage, most of the contents will not be covered by flood insurance.

Q: Is there a waiting period for flood insurance to become effective?

A: Yes. There is normally a 30-day wait when purchasing a new policy so it is important to act quickly before the next storm hits. If a policy is purchased in connection with a mortgage, or at a set time period following the revision or update of a Flood Insurance Rate map, the wait does not apply.

Q: Where can consumers go for more information?

A: Consumers can visit www.FloodSmart.gov or call 1-800-427-2419 to learn how to prepare for floods, how to find an agent near them, how to purchase flood insurance, and how they can benefit from protecting their homes and property against flooding.